

## Department of Energy

## § 109-27.102-52

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### § 109-27.000-50 Definitions.

As used in this part the following definitions apply:

*Inventories* mean stocks of stores, construction, supplies, and parts used in support of DOE programs.

*Inventory management* means the efficient use of methods, procedures and techniques for recording, analyzing, and adjusting inventories in accordance with established policy. The following related functions are included:

(1) Providing adequate protection against misuse, theft, and misappropriation.

(2) Providing accurate analyses of quantities to determine requirements so that only minimal obsolescence losses will be encountered, while ensuring adequate inventory levels to meet program schedules.

(3) Providing adequate and accessible storage facilities and services based upon analyses of program requirements so that a minimum and economical amount of time is required to service the program.

*Stock record* means a device for collecting, storing, and providing historical data on recurring transactions for each line item of inventory.

*Sub-store* means a geographically removed part of the main store's operation conducted as a subordinate element of it and subject to the same management policies and inventory controls.

*Systems contracting* means a materials management purchasing technique for

the purchase of general, common-use, and repetitive supply items in a particular product family. An example is office supplies, purchased from a commercial vendor, that are needed for immediate use instead of purchasing in bulk for future use, storing in warehouses, and issuing to customers by use of a requisitioning system. Systems contracting and just-in-time contracting are synonymous.

### Subpart 109-27.1—Stock Replenishment

#### § 109-27.102 Economic order quantity principle.

##### § 109-27.102-1 Applicability.

Replenishment of inventories of stock items having recurring demands will be by use of the economic order quantity (EOQ) principle. However, when considered more suitable, designated contractors may use other generally accepted approaches to EOQ.

##### § 109-27.102-50 Systems contracting.

Systems contracting may be used instead of or along with EOQ once a determination is made that such a system is feasible and cost effective, and that adequate controls are in place to ensure proper use.

##### § 109-27.102-51 Policy.

Systems contracting for supply operations is a proven cost-effective approach to meeting procurement needs and may be implemented in DOE offices and designated contractors wherever significant cost savings to the Government will result. Impacts on local suppliers and small and disadvantaged business concerns should be considered in the overall business strategy.

##### § 109-27.102-52 Implementation.

(a) DOE OPMOs shall establish required property management controls relative to the implementation of systems contracting.

(b) DOE offices and designated contractors operating a materials management function who have not performed an initial feasibility study for the implementation of systems contracting shall perform such a study for selected

commodity groups. The study may be accomplished over a period of time, until all commodity groups have been considered. The study should address functional requirements, activity levels of commodity groups and individual items, and potential impacts on local suppliers and small and disadvantaged businesses. An industrial relations analysis on existing labor relations and union contracts may also be necessary.

(c) As required in the DEAR, DOE offices and designated contractors are required to consider the use of GSA supply sources when economically advantageous to the Government. These sources must be considered in the conduct of the feasibility study.

(d) DOE contracting offices shall evaluate the initial cost benefit studies performed by contractors to verify the savings and other benefits of systems contracting, and shall approve its implementation. In those instances where a cost benefit study has previously been performed, the DOE contracting office shall ensure that those studies have been evaluated and the approval to proceed with systems contracting has been provided to the contractor in writing.

(e) DOE offices shall periodically re-evaluate systems contracting operations conducted by their office and designated contractors to ensure that required property management controls are being followed.

### **Subpart 109-27.2—Management of Shelf-Life Materials**

#### **§ 109-27.202 Applicability.**

When considered more suitable, designated contractors may use other generally accepted approaches to the management of shelf-life materials.

### **Subpart 109-27.3—Maximizing Use of Inventories**

#### **§ 109-27.302 Applicability.**

When considered more suitable, designated contractors may use other generally accepted approaches to maximizing use of inventories.

### **Subpart 109-27.4—Elimination of Items From Inventory**

#### **§ 109-27.402 Applicability**

When considered more suitable, designated contractors may use other generally accepted approaches to determine which items should be eliminated from inventory.

### **Subpart 109-27.50—Inventory Management Policies, Procedures, and Guidelines**

#### **§ 109-27.5001 Objectives.**

Necessary inventories shall be established and maintained at reasonable levels, consistent with DOE requirements, applicable laws and regulations, and the following objectives:

(a) The maintenance of adequate stock levels through accurate analyses of quantities to determine requirements and stock replenishments so that only minimal obsolescence losses will be encountered while ensuring adequate inventory levels to meet program schedules;

(b) The protection of materials against misuse, theft, and misappropriation;

(c) The maintenance of an efficient operation; and

(d) The standardization of inventories to the greatest extent practicable.

#### **§ 109-27.5002 Stores inventory turnover ratio.**

Comparison of investment in stores inventories to annual issues shall be made to assure that minimum inventories are maintained for the support of programs. This comparison may be expressed either as a turnover ratio (dollar value of issues divided by dollar value of inventory) or in the average number of month's supply on hand. Turnover or number of month's supply is calculated only on current-use inventory. Performance goals, i.e., a six months investment or a turnover ratio of 2.0, shall be established for each stores using activity. It is recognized, however, that extenuating operating circumstances may preclude the achievement of such objectives.